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Indonesia

Coffee Semi-annual

Indonesia Coffee Semi-annual 2016

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Report Highlights:

Indonesian coffee production is expected to decline in the 2016/17 marketing year as the result of dry weather conditions in late 2015. El Nino conditions in 2015 are being countered with wet La Nina conditions in 2016/17. Post expects continued wet weather into early/mid 2017, providing some relief from the excessive dryness of the 2015 El Nino event. Post expects Indonesian coffee exports to decline due to growing consumption and low productivity in 2016/17. Trade data shows green bean shipments for the 2016 January-May period dropped 33 percent to 117 thousand MT, compared to 177 thousand MT in 2015.

Commodities:

Coffee, Green

Production

Indonesian coffee production is expected to decline in the 2016/17 marketing year as the result of dry weather conditions in late 2015. Trader and farmer comments, confirmed by field observations, indicate production declines in both Arabica and Robusta production. As a result, Post revises its 2016/17 coffee production estimate down to 8.9 million bags, green bean equivalent (GBE), from its previous estimate of 10 million GBE. As reported in Post's previous annual coffee report, dry weather brought on by El Nino interrupted flowering and fruit ripening. 2014/15 coffee production is also increased to 10.605 million bags GBE, reflecting final export data. 2015/16 total exports are increased to 12.1 million bags GBE, also due to final export data that reflects higher than expected production.

El Nino conditions in 2015 are being countered with wet La Nina conditions in 2016/17. Weather data indicates that the July-September period was wetter than usual. Post expects continued wet weather into early/mid 2017. While this will provide relief from the excessive dryness of the 2015 El Nino event, it is not yet clear to what extent this will improve Indonesia's prospects for coffee production. Growers note that although the rain is providing a welcome relief, its frequency and duration, as well as its interference with pollination will determine yields in the coming year.

Most Indonesian coffee is produced on smallholder farms characterized by low yielding management practices. As a result, coffee production is highly susceptible to weather conditions. In limited areas, some companies operate large plantations, and employ improved farm management practices, therefore avoiding weather-induced yield fluctuations.

Consumption

Post revises 2016/17 Indonesian coffee consumption upward to 3.32 million bags GBE from 3.11 million bags, despite a decline in production. Industry contacts confirm domestic prices for green beans are rising in response to growing domestic demand. Consumption growth is being driven by the expansion of retail coffee shops, including franchises and local small businesses. Coffee outlets target consumers in shopping malls, business centers and public facilities such airports, train stations.

Consumption of soluble coffee (instant coffee mixes) and ready-to-drink beverages is also growing. These beverages are favored for their low prices and convenience, as well as their appeal to new coffee drinkers.

Table 1 Some Major Coffee Outlets in Indonesia

	Number Outlets	Cities Covered
Starbucks	248	20
Excelso	126	30

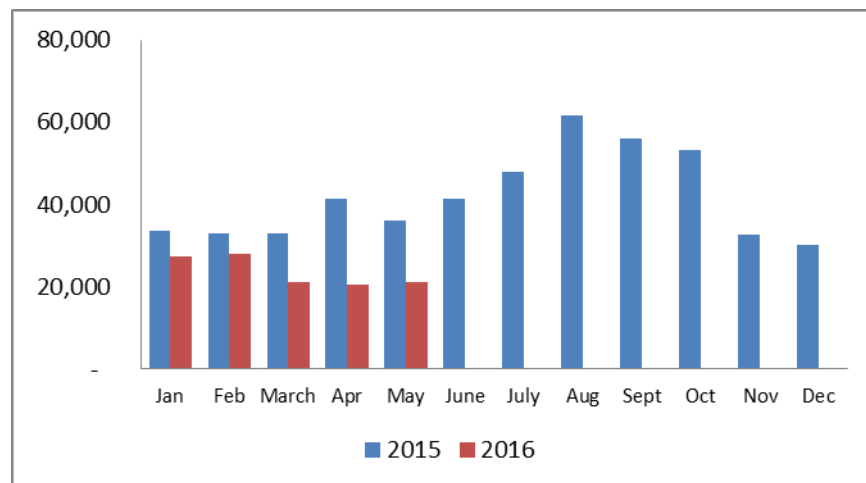
Coffee Toffee	155	25
Coffee Bean	108	24
Jco	109	43
Maxx Coffee	50	21
Bengawan Solo	44	6
Kopi Luwak	17	4

Trade

Post expects Indonesian coffee exports to decline due to growing consumption and low productivity in 2016/17. Trade data shows green bean shipments for the 2016 January-May period dropped 33 percent to 117 thousand MT, compared to 177 thousand MT in 2015 (Figure 1 below). Post thus revises its 2016/17 export estimate down to 5.5 million bags GBE from 6.1 million bags. Major Indonesian coffee export destinations are the United States, European Union and Japan. Post also revises 2014/15 bean exports up to 6.767 million bags GBE and 2014/15 bean exports up to 7.938 million bags in 2015/16 based on final export data.

Trade data for the first two months of the April- May 2016 marketing year put Indonesia's coffee imports well ahead of pace compared to last year. Indonesia has imported over 9,400 MT of green coffee, compared with 17,057 MT for the entire 2015/16 marketing year. Imports are led by robusta shipments from Vietnam, presumably for Indonesia's soluble coffee industry. As a result, Post increases its estimate for robusta imports from 340 thousand bags GBE to 400 thousand bags. Post also revises 2014/15 bean imports up to 263 thousand bags GBE and 2014/15 bean imports up to 311 thousand bags in 2015/16, based on final export data.

Figure 1 Indonesia Green Bean Exports (MT)



Source: GTIS

Stocks

Declining production and increasing domestic consumption is expected to reduce coffee stocks from 94,000 bags GBE in MY 2015/16 to 84,000 bags in MY 2016/17.

Production, Supply and Demand Data Statistics

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